



Tennessee State Board of Accountancy
Department of Commerce and Insurance

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MINUTES

TENNESSEE STATE BOARD OF ACCOUNTANCY MEETING

September 15, 2003

The meeting of the Tennessee State Board of Accountancy convened in the Davy Crockett Tower, Nashville, Tennessee, September 15, 2003, at 10:00 am.

Members present were David Curbo, Chairman; Micheal Vaughn, Vice-Chairman; Mark King, Secretary; Charles Frasier, L. Dan Johnson, Maxie Patton, Mark Layne and Kenneth Cozart. Also present were M. Connaught O'Connor, Staff Counsel; Linda Biek, Investigator; Jeanetta Cothron, Statistical Analyst; Dan Syriac, Administrative Manager and Robert Gowan, Assistant Commissioner.

David Curbo called the meeting to order at 10:00 am and announced a quorum was present. Jeanetta Cothron announced that she and her husband will be having a new addition to their family. At this time, David Curbo directed the Board Members to refer to the two Rule packages presented to them and turned the meeting over to Connaught O'Connor to proceed with the Rule Making Hearings.

Ms. O'Connor called the **Rule Making Hearing** to order and read the formal process information & statute 4-5-204 on rule making and the process for such. Ms. O'Connor confirmed that the rules were posted adequately and informed the Board Members that the rules have not gone to the Attorney General's office yet.

Ms. O'Connor gave a brief summary of the (housekeeping) proposed rules.

- 1) Rule 0020-1-.01 (b) definition of Accounting service.
- 2) Rule 0020-1-.01 (r) definition of Resident Manager.
- 3) Rule 0020-1-.05 (5) keep this section in the rules.
- 4) Rule 0020-1-.06 (2) & (7) the date changed to April 2004 in each section.
- 5) Rule 0020-1-.06 (8) (c) defines credit given through the last pencil exam.
- 6) Rule 0020-1-.06 (9) CBT rules.
- 7) Rule 0020-1-.07(1), (5)(e) rules on cheating.
- 8) Rule 0020-1-.08 (4) added in CPE documentation line.
- 9) Rule 0020-2-.01(5) two-year or four-year universities.
- 10) Rule 0020-2.02(1)(a)3.(ix) added Marketing, (1)(b)2 added junior level courses or higher and (2) added in this section "For purposes of this rule, hours taken above.....".
- 11) Rule 0020-3-.11(1)(c) defines work papers and what is include.
- 12) Rule 0020-5-.03 (1)(d) and (3)(a)& (c) No CPE carryover after 12-31-05 and Inactive Licensees not practicing in Tennessee. CPE hours used to reactivate a CPA certificate may be used for renewal requirement.
- 13) Rule 0020-6-.01 (1)(a) added the PCAOB.
- 14) Rule 0020-6-.04(1) defined each office location to be covered in peer review with initial review to be August 31 of next calendar year following initial permit date.
- 15) Rule 0020-6-.04 (7) & (8) defines what the Board Peer Review program does not cover and explains firms in PCAOB will also need to have a review of the non-SEC portion of their firm.
- 16) Rule 0020-6-.05 (1)(b) reviewers must have refresher review course every three years.

David Curbo asked if any Board Member wanted to discuss any of these rules. A discussion took place regarding the peer review program and each office location included. Rule 0020-6-.04 (2) is confusing and may be considered for a future rule change.

L. Dan Johnson motioned to approve the above listed rule changes included in this Rule Making hearing. J. Micheal Vaughn seconded the motion; it was voted on and approved in a unanimous vote.

Ms. O'Connor called the **Rule Making Hearing** to order and read the formal process information & statute 4-5-204 on rule making and the process for such. Ms. O'Connor confirmed that the rules were posted adequately and informed the Board Members that the rules have not gone to the Attorney General's office yet.

Ms. O'Connor gave a brief summary of the (fees) proposed rules.

- 1) Rule 0020-1-.04(1)(c) changed fees from \$50 to \$40 per year and from \$100 to \$80 biennially.

J. Micheal Vaughn made a motion to accept the above listed rule change. L. Dan Johnson seconded the motion; it was voted on and approved.

Ms. O'Connor informed this Board Members that this concluded the Rule Making Hearings and thanked all of the Board Members for being here today.

David Curbo reconvened the Board Meeting.

Connaught O'Connor presented the **Attorney's Report/Probable Cause Committee report** (copy attached. New Case #1 – Recommendation for Consent Order for \$950 civil penalty, 16 hours of CPE in compilation and review and requires preissuance review of next compilation, review and audit. New Case #2 -- Recommendation to call respondent in for an Informal Conference. New Case #3 — Recommendation to call respondent in for an Informal Conference . New Case #4 – David Curbo cannot vote on this case. Recommendation to call this person in for a Formal Hearing if the Consent Order is not signed with thirty (30) days. Individual has 3-4 violations and total of \$400 civil penalty. An informal conference has already been held with Mr. Curbo. J. Micheal Vaughn motioned to approve the report and recommendations. Mark Layne seconded the motion; it was voted on (David Curbo recused himself from voting on all four cases) and approved.

David Curbo recommended, in the absence of an Executive Director for the Accountancy Board, that the Board authorize the Executive Committee to handle technical correspondence that the Executive Director would normally have handled.

David Curbo presented the situation of a Florida CPA firm which received a temporary permit to practice in Tennessee and let the permit lapse. A complaint was file by our Board for failure to comply with Peer Review and is listed on our website. Ms. O'Connor relayed to the Board that no formal action was indicated in the firm file. The firm requests the disciplinary action be removed from the website since they just let the temporary license lapse (they were not practicing in Tennessee) and were never actually disciplined. J. Micheal Vaughn motioned to remove the notice of disciplinary action against this firm from our website. Mark King seconded the motion; it was voted on and approved. David Curbo asked Dan Syriac to send a letter to the firm to inform them of the Board's decision. Leona will remove the firm from the Board's disciplinary page on the website.

New Business:

Executive Director Discussion: David Curbo informed the Board Members of the conversation he had with Assistant Commissioner Gowan regarding the dismissal of the Board Executive Director. Mr. Curbo then opened the floor for discussion regarding the unexpected dismissal of the Executive Director of the Accountancy Board. A lengthy discussion took place regarding the unexpected dismissal of the Executive Director of the Accountancy Board. Michael Vaughn proposed to the Board that the Executive Committee write a letter citing our law, voicing the Board's displeasure of the inappropriate dismissal of the Executive Director, and relate the crucial upcoming responsibilities of the

Accountancy Board and the profession in general. The committee should then circulate to all Board Members and then have a telephonic meeting to approve or disapprove of sending the letter to Commissioner Flowers with copy to the Governor. Ms. O'Connor informed the Board of the seven (7) days notice and the justification (stabilize leadership and protect the public) to have a teleconference. Ms. O'Connor also informed the Board that she cannot advise them on this matter or give any interpretation.

BREAK

David Curbo reconvened the meeting.

Assistant Commissioner Gowan attended this portion of the meeting to talk to the Board Members and answer any questions that they have. Mr. Gowan gave a summary of what led up to the action of the dismissal of the Accountancy Board's Executive Director. A question and answer session took place between the Assistant Commissioner and the Board Members. The Board thanked the Assistant Commissioner for his time and he excused himself from the meeting.

The Board Members had a discussion about the meeting they just had with the Assistant Commissioner and what steps, if any, they want to take. After a lengthy discussion, the Board Members agreed to work with the TSCPA and to request a Conference with the Governor and also with Randy Camp of F. & A. in addition to writing the letter mentioned earlier in the meeting to try to get the Executive Director reappointed. David Curbo will meet with Brad Floyd this afternoon after the Board Meeting is concluded. Ms. O'Connor informed the Board she needs a four day notice before the Board has a conference with the Governor.

David Curbo prompted a discussion on temporarily filling the position of the Executive Director, i.e.: Interim Executive Director, until such time as the Board can rehire the previous Executive Director or do a full search to fill the position with someone new. Mr. Curbo opened the floor to Linda Biek, CPA, Investigator of the Board to present her resume' to the Board Members and to give her the opportunity to speak to the Board Members in her behalf on her qualifications and interest to fill the Executive Director position. Ms. Biek gave the Board Members a brief update on the smooth running of the Board so far and then gave a short speech on her interest and qualifications in filling the position of the Executive Director.

David Curbo requested the Board staff leave the meeting while the Board Members discuss the vacant position of Executive Director. The staff members exited the meeting with the exception of Jeanetta as she is working the tape recording equipment. A discussion then opened regarding the role of Investigator and role of Interim Executive Director. Dan Johnson motioned the Board to authorize the Executive Committee to handle the issues of compensation and filling the Interim Executive Director and Investigator positions. Maxie Patton seconded the motion; it was voted on and approved. Mark Layne voiced his appreciation of all the hours and responsibility that Mr. Curbo has been carrying since the dismissal of the Executive Director.

Old Business:

Micheal Vaughn asked the status of the contract for the Review Committee of the Board. Ms. O'Connor informed the Board that the contract has been stalled. There was a discussion on the process for approving such contracts and the consequences the Board faces (peer reviews were due August 31st and the need to use Investigations in the interim to review work papers for complaint case). Board members voiced concern over the many issues this Board is facing at this time and discussed the November CPA exam contract with NASBA and the Computer Exam contract which is not approved at this time.

There being no further business to come before the Board the meeting was adjourned.

CHAIRMAN

SECRETARY